

Estimate change

TP change

Rating change



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Bloomberg	ICICIGI IN
Equity Shares (m)	491
M.Cap.(INRb)/(USD\$)	623 / 7.8
52-Week Range (INR)	1674 / 1071
1, 6, 12 Rel. Per (%)	7/-2/-19
12M Avg Val (INR M)	1146

## Financials & Valuations (INR b)

Y/E March	2022	2023E	2024E
NEP	130.3	161.8	195.1
U/W Profit	-13.0	-7.1	-6.6
PBT	16.8	21.8	27.3
PAT	12.7	16.3	20.5
EPS (INR/share)	25.9	33.2	41.8
EPS Growth (%)	-13.7	28.4	25.7
BVPS (INR/share)	185.6	207.8	235.6

## Ratios (%)

Claims	75.1	70.7	69.9
Commission	4.7	3.7	4.3
Expense	29.1	28.8	27.9
Combined	108.8	103.2	102.2
RoE	15.4	16.9	18.8

## Valuations

P/E (x)	49.0	38.1	30.4
P/BV (x)	6.8	6.1	5.4

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	48.0	48.1	51.9
DII	13.7	13.5	12.0
FII	26.9	28.1	29.1
Others	11.3	10.4	7.1

FII Includes depository receipts

**CMP: INR1,269**
**TP: INR1500 (+18%)**
**Buy**

## High URR creation and lower investment income impacts performance

- ICICIGI's net underwriting loss stood at INR1.9b in 1QFY23 v/s INR3b in 4QFY22, led by a 14% QoQ decline in total income to INR39.8b (lower other income due to lesser capital gains), with total expenses growing by 1% to INR36.6b. PAT grew 12% QoQ and 80% YoY to INR3.5b.
- Claims ratio marginally increased to 72.1% v/s 72% in 1QFY23 as the benefits of a lower loss ratio in Health and Motor TP was offset by higher claims in Fire and Motor OD. Claims ratio contracted by 1,736bp YoY.
- The combined ratio stood at 104.1% v/s 123.5%/103% in 1Q/4QFY22.
- The solvency ratio stood at 2.6x v/s 2.5x in 4QFY22.

## Strong growth in GWP, higher URR lead to lower NEP

- Total GWP grew 30% YoY and 11% QoQ to INR55.6b.
- However, NEP saw muted growth (up 10% YoY and 5% QoQ) to INR34.7b, with NEP-to-GWP ratio at 63% v/s 74% in 1QFY22.
- NEP for the Health/Motor business saw decent growth (up 9%/6% QoQ), whereas the Fire business declined by 19% over the same period.
- Investment income stood at INR5.1b, denoted by a decline of 25% YoY and 61% QoQ. This was on the back of fall in capital gains to INR0.3b from INR3.7b/ INR1b in 1Q/4QFY22.

## Loss ratio steady QoQ, higher expense ratio elevates combined ratio

- ICICIGI reported a loss ratio of 72.1% in 1QFY23 v/s 72% in 4QFY22. The benefit of a lower loss ratio in Health/Motor TP (down 290bp/440bp) was offset by higher claims in Fire/Motor OD (up 27.5%/70bp). Claims ratio contracted by 1,736bp YoY.
- Commission ratios dipped by 180bp QoQ to 2.2% owing to a higher share of the Group business and better Reinsurance commissions.
- Expense ratio grew to 29.9% from 27.1% QoQ, led by a 33% QoQ increase in employee costs, and investments in the Health distribution channel and on technology.

## Highlights from the management commentary

- ICICIGI's PV/2W market share stood at 14%/64%. It saw a YoY decline in market share for new vehicles on account of a calibrated business strategy, but managed to gain market share in CVs, with the same for 2W stabilizing.
- With improving productivity of newly hired Retail Health agents, growth is expected to remain strong for the segment in 2QFY23.
- The management expects the combined ratio to trend downwards. However, the same is not expected to fall below 100% in FY23.

Prayesh Jain - Research Analyst (Prayesh.Jain@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Urmila Bohra (Urmila.Bohra@motilaloswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

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**Marginally trim our FY23/FY24 earnings estimate; maintain Buy**

We expect strong premium growth for ICICIGI, led by strength in new Auto sales, investments in the Health distribution channel, and expected results from past investments in technology. Earnings growth will accrue from synergies from its merger with BAXA and improvement in the loss ratios for the Health segment. We cut our FY23/FY24 earnings estimate by 4%/2%, led by lower investment income. The Increase in loss ratio estimates is offset by higher premium growth assumptions. During FY22-24, we see the company delivering a premium/PAT CAGR of 19%/27% and a RoE of 18.8% in FY24. **We maintain our Buy rating with a one-year TP of INR1,500 (35x FY24E P/E).**

**Quarterly Performance****(INR m)**

Y/E March	FY22				FY23				FY22	FY23E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Gross premium	42,671	45,085	47,861	50,007	55,298	54,102	55,518	54,935	1,85,624	2,19,853
Net written premium	28,083	30,528	36,551	39,734	36,233	41,117	44,415	45,959	1,34,896	1,67,725
Net earned premium	31,521	32,503	33,119	33,178	34,682	39,678	42,860	44,555	1,30,321	1,61,776
Investment Income	6,791	5,579	5,423	13,186	5,101	5,539	5,757	6,103	30,978	22,600
<b>Total Income</b>	<b>38,312</b>	<b>38,082</b>	<b>38,541</b>	<b>46,363</b>	<b>39,783</b>	<b>45,218</b>	<b>48,617</b>	<b>50,658</b>	<b>1,61,299</b>	<b>1,84,375</b>
Change YoY (%)	40.4	32.1	26.0	32.9	3.8	18.7	26.1	9.3	32.6	14.3
Incurred claims	28,192	22,699	23,035	23,893	24,999	28,172	30,002	31,211	97,819	1,14,383
Net commission	1,276	1,435	2,027	1,601	782	1,439	1,777	2,261	6,339	6,258
Opex	8,303	9,375	10,749	10,774	10,834	11,924	12,658	12,818	39,201	48,235
Total Operating Expenses	37,771	33,510	35,811	36,268	36,615	41,535	44,437	46,290	1,43,359	1,68,876
Change YoY (%)	65.2	35.9	30.4	34.0	-3.1	23.9	24.1	27.6	40.5	17.8
<b>Underwriting profit</b>	<b>-6,249</b>	<b>-1,007</b>	<b>-2,692</b>	<b>-3,090</b>	<b>-1,933</b>	<b>-1,856</b>	<b>-1,577</b>	<b>-1,735</b>	<b>-13,038</b>	<b>-7,101</b>
Operating profit	542	4,571	2,731	10,096	3,168	3,683	4,180	4,368	17,940	15,499
<b>Shareholder's P/L</b>										
Transfer from Policyholder's	542	4,571	2,731	10,096	3,168	3,683	4,180	4,368	17,940	15,499
Investment income	2,021	1,741	1,650	1,650	1,711	1,828	1,986	2,517	7,061	8,042
<b>Total Income</b>	<b>2,562</b>	<b>6,312</b>	<b>4,381</b>	<b>11,745</b>	<b>4,879</b>	<b>5,511</b>	<b>6,167</b>	<b>6,886</b>	<b>25,001</b>	<b>23,541</b>
Provisions other than taxation	-396	52	-1	-107	30	70	70	70	-475	-375
Other expenses	376	322	173	7,748	198	350	350	647	8,641	2,160
<b>Total Expenses</b>	<b>-20</b>	<b>374</b>	<b>171</b>	<b>7,641</b>	<b>228</b>	<b>420</b>	<b>420</b>	<b>717</b>	<b>8,166</b>	<b>1,785</b>
<b>PBT</b>	<b>2,583</b>	<b>5,939</b>	<b>4,209</b>	<b>4,104</b>	<b>4,651</b>	<b>5,091</b>	<b>5,747</b>	<b>6,169</b>	<b>16,835</b>	<b>21,756</b>
Change YoY (%)	-51.4	7.1	0.6	-8.8	80.1	-14.3	36.5	50.3	-13.8	29.2
Tax Provisions	640	1,472	1,034	979	1,161	1,273	1,437	1,569	4,125	5,439
<b>Net Profit</b>	<b>1,943</b>	<b>4,467</b>	<b>3,175</b>	<b>3,125</b>	<b>3,490</b>	<b>3,818</b>	<b>4,310</b>	<b>4,599</b>	<b>12,710</b>	<b>16,317</b>
Change YoY (%)	-51.2	7.4	1.3	-9.6	79.6	-14.5	35.7	47.2	-13.7	28.4
<b>Key Parameters (%)</b>										
Claims ratio	89.4	69.8	69.6	72.0	72.1	71.0	70.0	70.1	75.1	70.7
Commission ratio	4.5	4.7	5.5	4.0	2.2	3.5	4.0	4.9	4.7	3.7
Expense ratio	29.6	30.7	29.4	27.1	29.9	29.0	28.5	27.9	29.1	28.8
Combined ratio	123.5	105.3	104.5	103.2	104.1	103.5	102.5	102.9	108.8	103.2
Solvency	2.6	2.5	2.5	2.5	2.6				2.8	2.7



## Highlights from the management commentary

### Industry

- The combined ratio for the industry stood at 118.1% in FY22 (excluding one company) v/s 112.2% in FY21.
- IRDAI has allowed General Insurers to sell data-driven products (such as 'pay as you drive', 'pay how you drive' and a 'floater policy') as an add-on.

### Motor segment

- To boost consumer convenience, ICICIGI recently launched its Motor floater policy by providing a single policy for multiple vehicles.
- The share of CV in overall Motor premium grew to 24.6% in 1QFY23 v/s 16.6% in the same period last fiscal.
- **Market share**
  1. ICICIGI's PV/2W market share stood at 14%/64%.
  2. The company saw a YoY decline in market share for new vehicles on account of a calibrated business strategy. It has managed to gain market share in the CVs, with the same for the 2W segment stabilizing.
- **Motor OD**
  1. ICICIGI saw a slightly higher than expected rise in claim frequency in 1QFY23 as compared to last year (excluding the increase from greater utilization of vehicles). However, the average claim size has remained stable.
  2. The industry saw a slight moderation in price competitiveness in 1QFY23, with players bringing in some pricing discipline. However, the management feels that with the increased availability of capital in the sector, pricing will continue to remain competitive. With investment valuation returning to reasonable levels, pricing can be expected to get better by FY23-end.
  3. Increase in Motor OD claims is partially on account of a few select business segments, where the loss ratios are higher. However, the same is offset by lower distribution cost.
- **Motor TP:** Although rate hikes were lower than inflation, the management expects to benefit from a change in Motor norms, if implemented.
- **Tech products:** Data-driven products price risk better. However, it will take a considerable amount of time to contribute materially to the overall Motor business.
- The mix of new vehicle-to-renewal premium stood at 40:60 in 1QFY23 v/s 35:65 in the same period last year.

### Health segment

- The industry has seen a moderation in growth in Retail Health on the back of a base effect. ICICIGI has started to see a pickup in growth.
- With improving productivity from newly hired Retail Health agents, growth is expected to further strengthen in 2QFY23.
- The industry saw greater pricing discipline in the Group Health business in 1QFY23.
- The loss ratio in the Corporate book/Retail indemnity stood at 91%/78% in 1QFY23.

- ICICIGI raised Group premium by 15% in 1QFY23, which will further benefit from an improving claims ratio.
- Non-COVID Health claims intimation grew in the high teens in 1QFY23.

### Crop segment

- The Crop book acquired through the merger with BAXA has an exposure to Karnataka and Maharashtra. Recently, Maharashtra changed its Crop Insurance policy and implemented a claims cap of 80-100%. With this fixed range loss ratio, ICICIGI bided for two clusters.
- Higher Reinsurance cost is a key challenge in this business segment. But with the introduction of capped loss ratio, the need for the same has gone away.
- The management remains mindful of increasing its Crop exposure beyond a certain limit.
- There was a sharp improvement in its loss ratio in 1QFY23 on account of a lower loss ratio as compared to what was provisioned for earlier.

### Commercial segment

- It expects to gain market share in the Commercial line of the business in FY23.

### Distribution

- The headcount in the Retail Health agency business stood at 1,101.
- Premium for the Retail Health agency channel grew 18.3% in 1QFY23.
- The ICICIBC channel grew 30.5%, driven by the sale of indemnity products, which the company has started recently.
- Other banca partners grew 65%, with strong growth seen in both existing as well as the new banca channel.
- Distributors acquired through merger saw a healthy growth in 1QFY23.
- Sales from the website/digital partners grew 21%/117%.
- Premium from digital sourcing stood at INR2.2b, constituting 3.9% of GDPI.
- ICICIGI is making continuous investments in increasing digital sourcing.

### IL TakeCare

- 1) Sales and cross-selling via the IL TakeCare app has started to see an uptick, with sales of INR0.1b being sourced through the app.
- 2) The app is gaining higher adoption as reimbursement claims by corporates have started to come through the app.

### Financial

- **Investment income:** Capital gains stood at INR0.32b in 1QFY23 v/s INR3.27b/ INR1b in 1Q/4QFY22.
- **Expense ratio:** There was limited operating leverage on the back of continued investment in Retail Health and technology. The management expects the same to continue over the next few quarters as well.
- **Retention:** Decline in retention ratio in 1QFY23 was on the back of a higher share of premium from Corporate lines, but remained high in Reinsurance.
- **Commission:** The sharp decline in the commission ratio in 1QFY23 was driven by higher Reinsurance. In FY23, the company: 1) is conducting business with a high-

quality reinsurer, and 2) has managed to negotiate better rates on the back of a positive claim experience.

- **URR:** There is no difference in the accounting of URR by BAXA and ICICIGI. URR, as a percentage of NWP over the next three-to-four quarters, will depend on growth across business segments.
- **Combined ratio** will trend downwards. However, the same is not expected to fall below 100% in FY23.

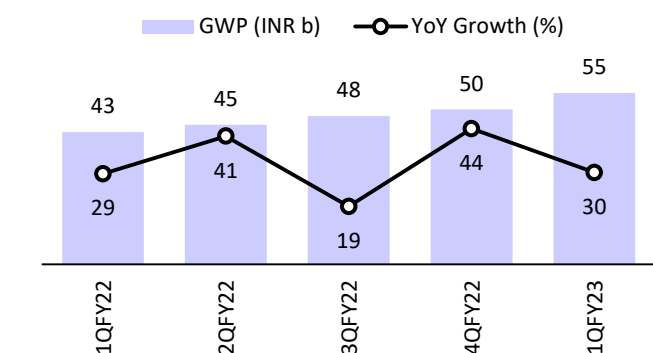
**Exhibit 1: Downgrading our FY23/FY24 EPS by ~4/2% to factor in lower investment income and higher expenses**

INR b	Old estimate		New estimate		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Total GDPI	214.0	255.4	219.9	262.7	2.7	2.9
NWP	162.4	195.8	167.7	202.5	3.3	3.4
<b>NEP</b>	156.9	189.0	161.8	195.1	3.1	3.2
Net claims	<b>107.5</b>	<b>128.2</b>	<b>114.4</b>	<b>136.4</b>	<b>6.4</b>	<b>6.4</b>
Net commission	8.4	11.1	6.3	8.8	-25.4	-21.4
Expenses	46.6	54.6	48.2	56.6	3.5	3.6
Investment income (PH)	29.8	34.6	22.6	27.0	-24.1	-22.1
U/W Profit	-5.6	-4.9	-7.1	-6.6	NA	NA
Operating profit	24.2	29.7	15.5	20.3	-35.9	-31.4
Investment income (SH)	8.0	9.2	8.0	9.1	0.0	-0.5
Expenses (SH)	9.6	10.9	1.8	2.1	-81.3	-80.2
Tax	5.7	7.0	5.4	6.8	-3.9	-2.3
<b>PAT</b>	<b>17.0</b>	<b>21.0</b>	<b>16.3</b>	<b>20.5</b>	<b>-3.9</b>	<b>-2.3</b>
Claim ratio	68.5	67.8	70.7	69.9	2.2	2.1
Commission ratio	5.2	5.7	3.7	4.3	-1.4	-1.4
Expense ratio	28.7	27.9	28.8	27.9	0.1	0.1
Combined ratio	102.4	101.4	103.2	102.2	0.8	0.8

Source: MOFSL, Company

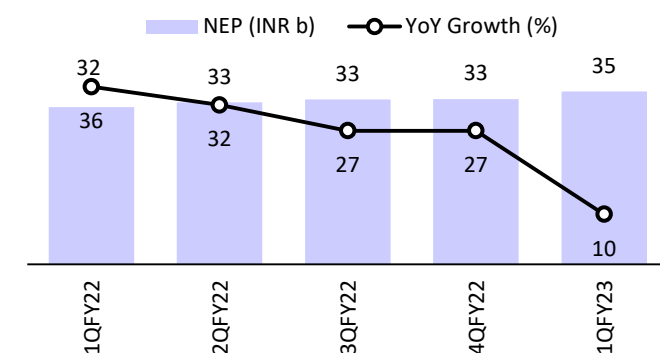
## Key exhibits

**Exhibit 2: Strong GWP growth (+30% YoY) at INR55.3b**

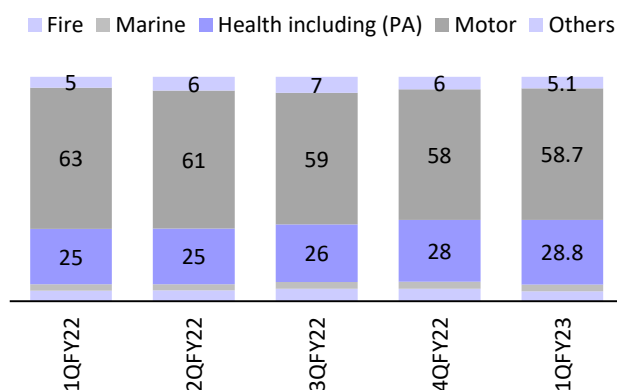


Source: MOFSL, Company

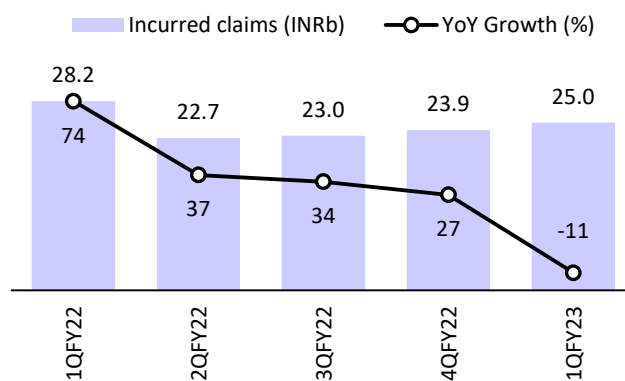
**Exhibit 3: Lower retention ratio impacts NEP growth**



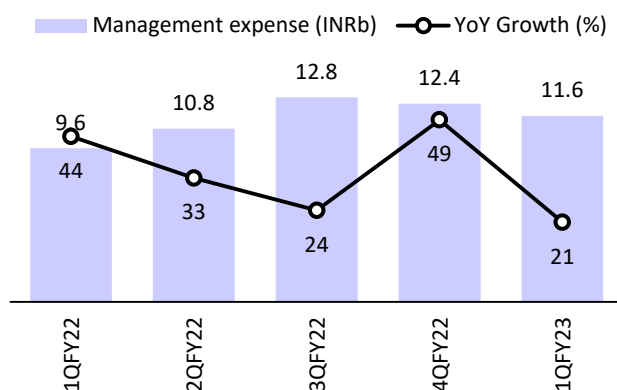
Source: MOFSL, Company

**Exhibit 4: Reduction in the share of Fire business on the back of a 19% sequential decline in NEP**

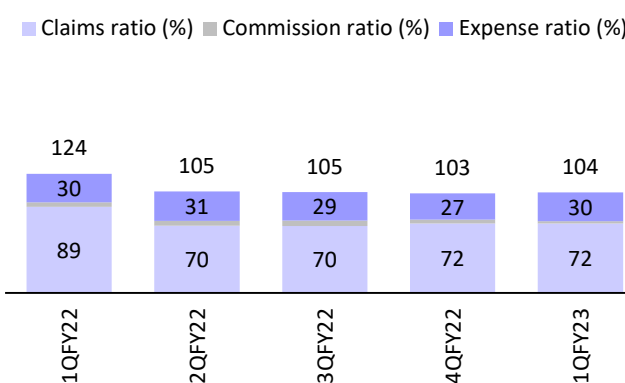
Source: MOFSL, Company

**Exhibit 5: Incurred claims start to moderate**

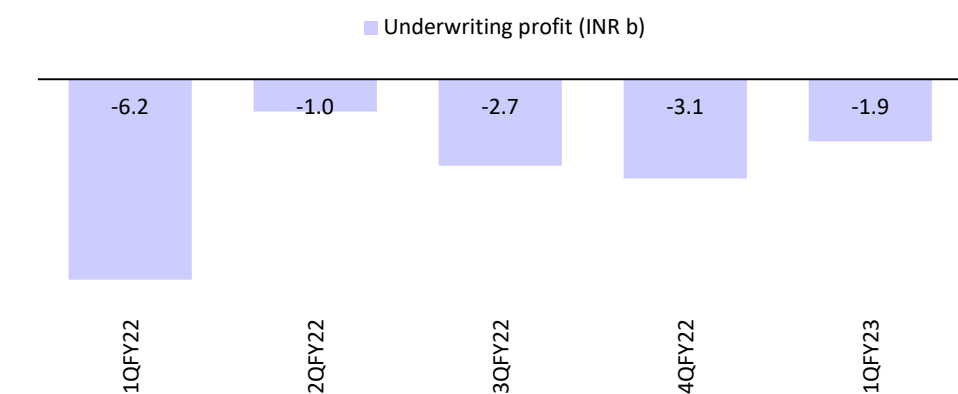
Source: MOFSL, Company

**Exhibit 6: Decline in total OPEX on the back of a reduction in commission expense**

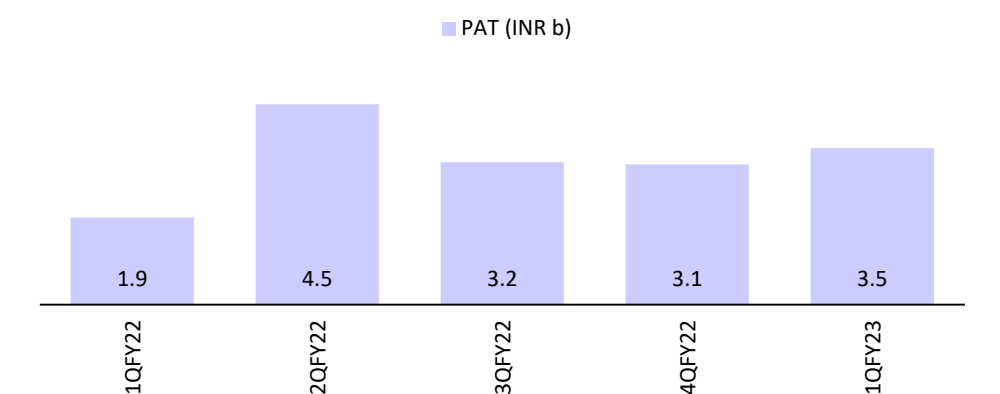
Source: MOFSL, Company

**Exhibit 7: Combined ratio rises QoQ as the benefit of lower claims and commission is offset by a higher expense ratio**

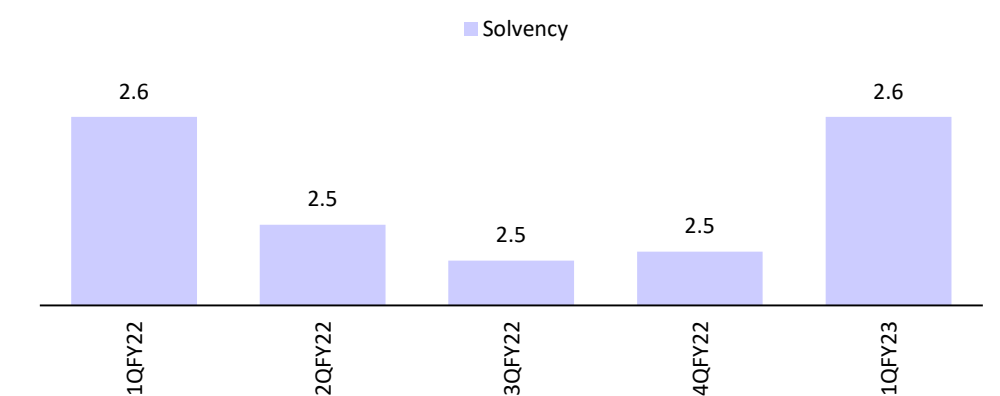
Source: MOFSL, Company

**Exhibit 8: Trend in underwriting profit**

Source: MOSL, Company

**Exhibit 9: Trend in PAT**

Source: MOSL, Company

**Exhibit 10: Solvency remains healthy**

Source: MOSL, Company

## Financials and valuations

### Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
GDPI	1,23,568	1,44,882	1,33,128	1,40,031	1,85,624	2,19,853	2,62,707
Change (%)	15.2	17.2	-8.1	5.2	32.6	18.4	19.5
NWP	78,447	95,385	96,407	1,06,850	1,34,896	1,67,725	2,02,492
<b>NEP</b>	<b>69,117</b>	<b>83,753</b>	<b>94,036</b>	<b>1,00,140</b>	<b>1,30,321</b>	<b>1,61,776</b>	<b>1,95,129</b>
Change (%)	12.1	21.2	12.3	6.5	30.1	24.1	20.6
Net claims	53,147	63,081	68,515	68,708	97,819	1,14,383	1,36,431
Net commission	-2,839	2,229	3,639	6,009	6,339	6,258	8,751
Expenses	21,118	20,139	22,931	27,342	39,201	48,235	56,559
<b>Underwriting Profit/(Loss)</b>	<b>-2,309</b>	<b>-1,696</b>	<b>-1,049</b>	<b>-1,919</b>	<b>-13,038</b>	<b>-7,101</b>	<b>-6,611</b>
Investment income (PH)	11,546	14,011	16,492	21,474	30,978	22,600	26,959
Operating profit	9,237	12,315	15,443	19,555	17,940	15,499	20,347
Investment income (SH)	4,140	4,743	4,800	5,170	7,061	8,042	9,137
Expenses	1,415	1,073	3,272	5,185	8,166	1,785	2,144
<b>PBT</b>	<b>11,962</b>	<b>15,985</b>	<b>16,971</b>	<b>19,540</b>	<b>16,835</b>	<b>21,756</b>	<b>27,340</b>
Tax	3,345	5,492	5,031	4,809	4,125	5,439	6,835
Tax rate (%)	28.0	34.4	29.6	24.6	24.5	25.0	25.0
<b>PAT</b>	<b>8,618</b>	<b>10,493</b>	<b>11,940</b>	<b>14,731</b>	<b>12,710</b>	<b>16,317</b>	<b>20,505</b>
Change (%)	30.8	21.8	13.8	23.4	-13.7	28.4	25.7

### Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	4,539	4,543	4,543	4,546	4,909	4,909	4,909
Reserves and Surplus	40,872	48,662	56,797	69,809	86,188	97,095	1,10,767
<b>Net Worth</b>	<b>45,412</b>	<b>53,205</b>	<b>61,340</b>	<b>74,355</b>	<b>91,097</b>	<b>1,02,004</b>	<b>1,15,676</b>
FV change – Shareholders	1,857	799	-948	1,630	831	872	916
FV change – Policyholders	5,481	2,585	-3,338	5,174	2,762	2,901	3,046
Borrowings	4,850	4,850	4,850	4,850	2,550	2,550	2,550
Claims Outstanding	1,59,160	1,64,256	1,80,074	1,82,845	2,49,752	2,61,190	3,08,941
Other liabilities	80,736	1,08,331	1,28,440	1,24,123	1,61,492	1,77,150	1,95,388
<b>Total Liabilities</b>	<b>2,97,497</b>	<b>3,34,026</b>	<b>3,70,418</b>	<b>3,92,977</b>	<b>5,08,483</b>	<b>5,46,668</b>	<b>6,26,517</b>
Investments (PH)	1,34,643	1,68,877	2,04,671	2,34,565	2,98,684	3,39,128	3,87,910
Investments (SH)	47,284	53,431	58,595	74,356	89,179	99,280	1,12,334
Net Fixed Assets	4,060	4,652	6,765	6,268	5,775	5,925	6,025
Def. Tax Assets	2,114	3,013	3,063	3,498	3,456	3,110	2,799
Current Assets	1,03,478	1,00,037	96,998	72,013	1,08,463	86,771	95,448
Cash and Bank	5,918	4,016	326	2,277	2,926	12,454	22,001
<b>Total Assets</b>	<b>2,97,497</b>	<b>3,34,026</b>	<b>3,70,418</b>	<b>3,92,977</b>	<b>5,08,483</b>	<b>5,46,668</b>	<b>6,26,517</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
GWP growth	15.2	17.2	-8.1	5.2	32.6	18.4	19.5
NWP growth	19.0	21.6	1.1	10.8	26.2	24.3	20.7
<b>NEP growth</b>	<b>12.1</b>	<b>21.2</b>	<b>12.3</b>	<b>6.5</b>	<b>30.1</b>	<b>24.1</b>	<b>20.6</b>
Claim ratio	76.9	75.3	72.9	68.6	75.1	70.7	69.9
Commission ratio	-3.6	2.3	3.8	5.6	4.7	3.7	4.3
Expense ratio	26.9	21.1	23.8	25.6	29.1	28.8	27.9
<b>Combined ratio</b>	<b>100.2</b>	<b>98.8</b>	<b>100.4</b>	<b>99.8</b>	<b>108.8</b>	<b>103.2</b>	<b>102.2</b>

### Profitability Ratios (%)

RoE	20.8	21.3	20.8	21.7	15.4	16.9	18.8
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Valuations	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
BVPS (INR)	92.5	108.4	125.0	151.5	185.6	207.8	235.6
Change (%)	21.9	17.2	15.3	21.2	22.5	12.0	13.4
<b>Price-to-BV (x)</b>	<b>13.7</b>	<b>11.7</b>	<b>10.1</b>	<b>8.4</b>	<b>6.8</b>	<b>6.1</b>	<b>5.4</b>
EPS (INR)	17.6	21.4	24.3	30.0	25.9	33.2	41.8
Change (%)	30.8	21.8	13.8	23.4	-13.7	28.4	25.7
<b>Price-to-Earnings (x)</b>	<b>72.2</b>	<b>59.3</b>	<b>52.1</b>	<b>42.3</b>	<b>49.0</b>	<b>38.1</b>	<b>30.4</b>

E: MOSL estimates

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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